

**REPORT TO THE  
JOINT LEGISLATIVE AUDIT  
AND REVIEW COMMISSION**

**FOR THE QUARTER  
JULY 1, 2003 TO SEPTEMBER 30, 2003**



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October 8, 2003

The Honorable Kevin G. Miller, Chairman  
and  
Members, Joint Legislative Audit and Review Commission  
General Assembly Building  
Capitol Square  
Richmond, Virginia 23219

This transmits our quarterly summary of reports issued for the period July 1, 2003 through September 30, 2003.

The *Executive Summary* includes reports that may be of special interest to the members of the Commission. We have included a report in the summary for the sole purpose of bringing to your attention matters of significance. These summaries do not include all findings within a report or all reports with findings.

The *Summary of Reports Issued* lists all reports released during the quarter and shows reports that have audit findings.

We will be happy to provide you, at your request, any reports in their entirety or you can find all reports listed in this document at our website <http://www.apa.state.va.us/reports.htm>. We welcome any comments concerning this report or its contents.

Sincerely,

Walter J. Kucharski  
Auditor of Public Accounts

WJK:aom

# **EXECUTIVE SUMMARY**

## OFFICE OF THE GOVERNOR AND GOVERNOR'S CABINET SECRETARIES

I would like to bring to your attention to a matter shown in the both the Office of the Governor and Cabinet Secretary audit reports. The legislative appropriation provided in the Appropriation Act no longer reflects the funding used to operate these offices. In the case of the Office of the Governor, the situation has existed for the past four years and increased during this period as shown in the table below.

	<u>Fiscal Year</u> <u>2000</u>	<u>Fiscal Year</u> <u>2001</u>	<u>Fiscal Year</u> <u>2002</u>	<u>Fiscal Year</u> <u>2003</u>
Original appropriation	\$2,267,323	\$2,378,854	\$2,379,597	\$2,427,764
Supplemental appropriations and other adjustments	<u>849,015</u>	<u>676,317</u>	<u>1,341,789</u>	<u>1,355,879</u>
Final appropriation	<u>\$3,116,338</u>	<u>\$3,055,171</u>	<u>\$3,721,386</u>	<u>\$3,783,643</u>
Expenses	<u>\$3,103,208</u>	<u>\$3,050,441</u>	<u>\$3,694,344</u>	<u>\$3,739,769</u>

None of the transfers or other adjustments obtained occurred outside of the authority granted the Governor and the Department of Planning and Budget in the Appropriation Act. However, in the case of the Office of the Governor, the amount of the legislative appropriation is \$2.4 million of the \$3.7 million expended.

Several of the Cabinet Secretaries also received additional supplemental transfers beyond the amount of the legislative appropriation, but unlike the Office of the Governor, these types of supplemental transfer were limited to the fiscal year audited. Both the Senate Finance and House Appropriation Committees may wish to review this matter during the upcoming budgeting cycle.

## DEPARTMENT OF INFORMATION TECHNOLOGY

This report reviews the Department of Information Technology's (DIT) policies and procedures placed in operation as of May 30, 2003. We conducted our review using Statement on Auditing Standards No. 70, Reports on the Processing of Transactions by Service Organizations, issued by the American Institute of Certified Public Accountants. We have defined the control objectives for this review from the Information Systems Audit and Control Foundation's work on "Control Objectives for Information and Related Technology" (COBIT). COBIT represents a generally applicable and accepted standard for good practices for information technology control.

This report should provide DIT customers, their independent auditors, and report users with sufficient information about DIT's internal control policies and procedures. This report assesses the operating effectiveness of policies and procedures surrounding automated transactions processed or other services provided by DIT. This report, when combined with an understanding of the customer's internal control policies and procedures, is intended to assist auditors in planning the customer's audit and in assessing control risk for assertions in the customer's financial statements that may be affected by policies and procedures at DIT. If customers do not have effective controls, DIT's internal control policies and procedures may not compensate for such weaknesses.

We found:

As reported in Section III, DIT's policies and procedures are suitably designed and operating effectively to provide reasonable assurance that they achieve their specified control objectives as of May 30, 2003. The reader should evaluate this information only with a concurrent assessment of the customer's internal controls.

The following agencies use DIT's data center as a site to house their various servers: Virginia Employment Commission, Department of Technology Planning (Virginia Geographic Information Network), State Board of Elections, Department of Social Services, Department of Taxation, Virginia Retirement System. With the exception of Virginia Retirement System, none of the agencies has DIT handle their disaster recovery services for the servers. Agencies need to include their servers located at DIT in their own disaster recovery plans.

We recommend that DIT:

- Install an emergency alternative power source for the data center
- Require contract employees to sign Information Security Agreements

## **SUMMARY OF REPORTS ISSUED**

## **SUMMARY OF REPORTS ISSUED**

The following reports on audit were released by this Office during the period July 1, 2003 through September 30, 2003. Those reports which included findings in the area of internal controls or compliance are indicated by an (\*) asterisk.

### **State Agencies and Institutions**

#### **Executive Departments**

##### **Executive Offices**

Division of Selected Agency Support Services for the year ended June 30, 2003  
Governor's Cabinet Secretaries for the year ended June 30, 2003  
Office of the Governor for the year ended June 30, 2003  
Office of the Lieutenant Governor for the year ended June 30, 2003

#### **Commerce and Trade**

Virginia Board of Accountancy for the year ended June 30, 2002

#### **Education**

Virginia Community College System for the year ended June 30, 2002\*

#### **Colleges and Universities**

James Madison University for the year ended June 30, 2002\*  
James Madison University, Intercollegiate Athletic Programs for the year ended  
June 30, 2002  
Norfolk State University for the year ended June 30, 2002\*  
Norfolk State University, Intercollegiate Athletic Programs for the year ended June 30, 2002  
Old Dominion University, Intercollegiate Athletic Programs for the year ended  
June 30, 2002



## **Special Reports**

Department of Information Technology, Service Organization Review, Report on  
Policies and Procedures Placed in Operation and Tests of Operating Effectiveness  
as of May 30, 2003\*

Report to the Legislative Audit and Review Commission for the quarter April 1, 2003 to  
June 30, 2003

## **Clerks of the Circuit Courts**

### **Cities:**

City of Charlottesville for the period April 1, 2002 through March 31, 2003

City of Colonial Heights for the period April 1, 2002 through March 31, 2003

City of Martinsville for the period April 1, 2002 through March 31, 2003

### **Counties:**

County of Albemarle for the period April 1, 2002 through March 31, 2003\*

County of Alleghany for the period April 1, 2002 through March 31, 2003

County of Arlington for the period April 1, 2002 through March 31, 2003\*

County of Bath for the period January 1, 2002 through March 31, 2003

County of Bedford for the period April 1, 2002 through March 31, 2003

County of Buckingham for the period April 1, 2002 through March 31, 2003\*

County of Caroline for the period April 1, 2002 through March 31, 2003\*

County of Carroll for the period April 1, 2002 through March 31, 2003

County of Charlotte for the period April 1, 2002 through March 31, 2003\*

County of Fairfax for the period April 1, 2002 through March 31, 2003\*

County of Greenville for the period April 1, 2002 through March 31, 2003\*

County of Halifax for the period January 1, 2002 through March 31, 2003

County of Highland for the period January 1, 2002 through March 31, 2003\*

County of Lee for the period January 1, 2002 through March 31, 2003

County of Lunenburg for the period April 1, 2002 through March 31, 2003

County of Prince George for the period April 1, 2002 through March 31, 2003\*

County of Spotsylvania for the period April 1, 2002 through March 31, 2003\*

## **Treasurers - Turnover**

County of Isle of Wight for the period July 1, 2002 through August 6, 2003